



Securities code: 9651

# Japan Process Development Co., Ltd.

## Financial Results Briefing

Year Ended May 31, 2019



July 19, 2019

1. Consolidated Financial Results for the Year Ended May 31, 2019

2. Initiatives Related to the 5th Medium-Term Business Plan

3. Numerical Targets for the Year Ending May 31, 2020

## 1. Consolidated Financial Results for the Year Ended May 31, 2019

## 2. Initiatives Related to the 5th Medium-Term Business Plan

## 3. Numerical Targets for the Year Ending May 31, 2020

# Outline of Consolidated Financial Results for the Year Ended May 31, 2019



Unit: Millions of yen

	Forecast	Compared to forecast	Actual	YoY change	Previous year
<b>Net Sales</b>	6,690	+525 +7.9%	7,215	+926 +14.7%	6,289
<b>Operating Income (income ratio)</b>	460 (6.9%)	+155 +33.7%	615 (8.5%)	+102 +19.9%	512 (8.2%)
<b>Ordinary Income (income ratio)</b>	500 (7.5%)	+165 +33.0%	665 (9.2%)	+85 +14.8%	579 (9.2%)
<b>Current Net Income (income ratio)</b>	330 (4.9%)	+171 +51.9%	501 (6.9%)	+187 +59.6%	314 (5.0%)

# Overview of Consolidated Financial Results for Year Ended May 31, 2019 (1)

## Net Sales

**+¥926 million YoY (+14.7%)**

In addition to a dramatic expansion of the core automobile field and promotion of contracted development and offshore development, efforts were made to make active use of partner companies.

## Operating Income

**+¥102 million YoY (+19.9%)**

There was an improvement in orders due to greater service value, and productivity rose on account of stronger project management.

## Ordinary Income

**+¥85 million YoY (+14.8%)**

Due to increase in operating income

## Current Net Income

**+¥187 million YoY (+59.6%)**

Because earnings were not weighed down by an extraordinary loss as they were last year, and negative goodwill from M&A was recorded.

# Overview of Consolidated Financial Results for Year Ended May 31, 2019 (2)

## Major topics

- Posted record earnings (parent company) for second consecutive fiscal year since being listed.  
Invested in continued growth and promoted work-style reforms.
- Environment conducive to orders for all business.
- Transformed Algorithm Laboratory, Inc. into a consolidated subsidiary.
- Made use of IPD Dalian for on-site/offshore development.
- Concluded operational and capital partnership with Trensar Technology Solutions (India).
- Invested in continued growth.
  - Raised base salary (about 2% + α).
  - Human resource training (education) and acquisition of advanced skills.
  - Moved/expanded offices and opened new development bases.

# Overview of Consolidated Financial Results for Year Ended May 31, 2019 (3)

## Major topics

- Giving back to shareholders (increased dividend)

Initial dividend forecast of ¥20/year (interim dividend of ¥10/year and year-end dividend of ¥10/year)

→ Actual dividend of ¥25/year (interim dividend of ¥12/year and year-end dividend of ¥13/year)

- Giving back to employees

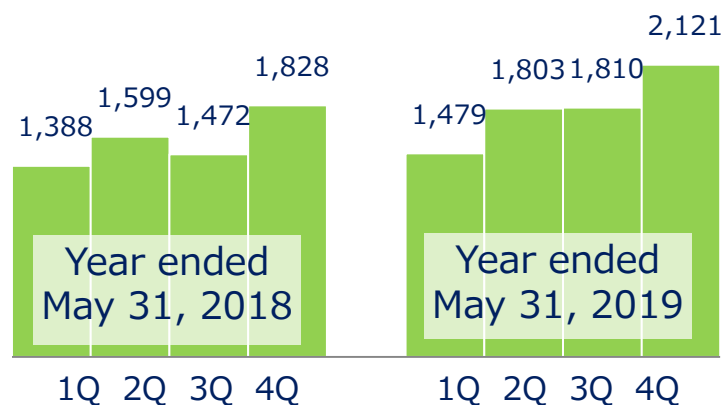
Posted second consecutive year of record earnings-linked bonuses.

- As one part of CSR activities, continued to donate a target of 1% of after-tax income to 2 entities.
  - SBI Children's Hope Foundation
  - Japan Center for Conflict Prevention

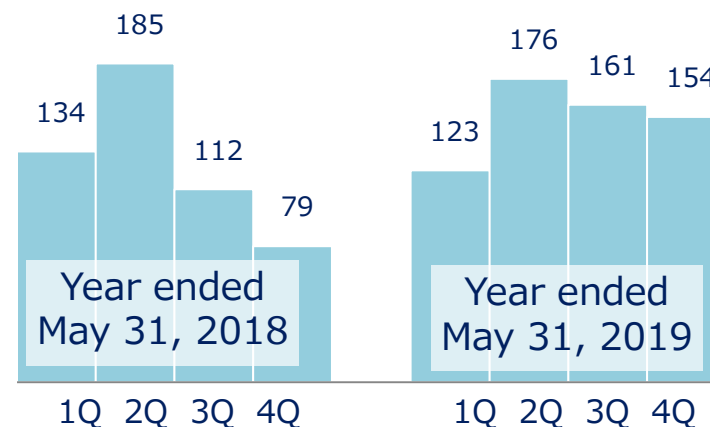
# Summary of Consolidated Financial Results for Year Ended May 31, 2019 (by Quarter)

Unit: Millions of yen

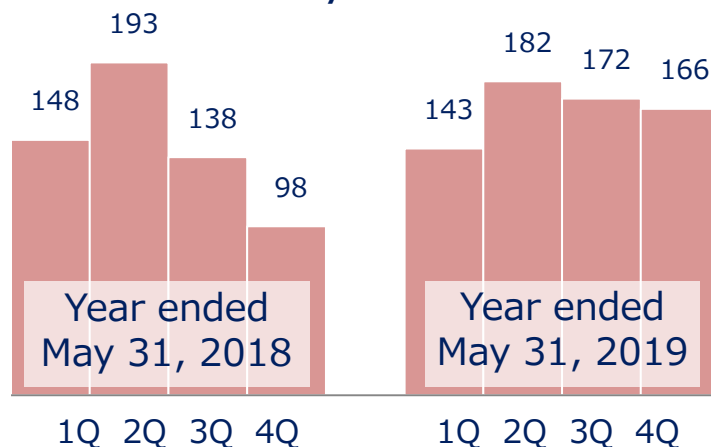
## Net Sales



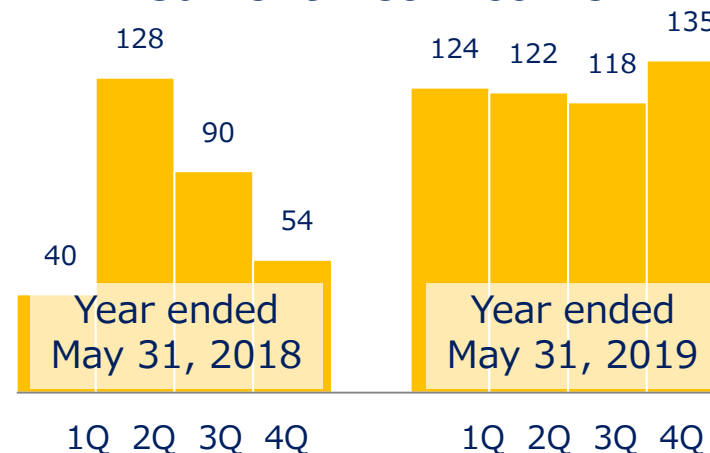
## Operating Income



## Ordinary Income



## Current Net Income

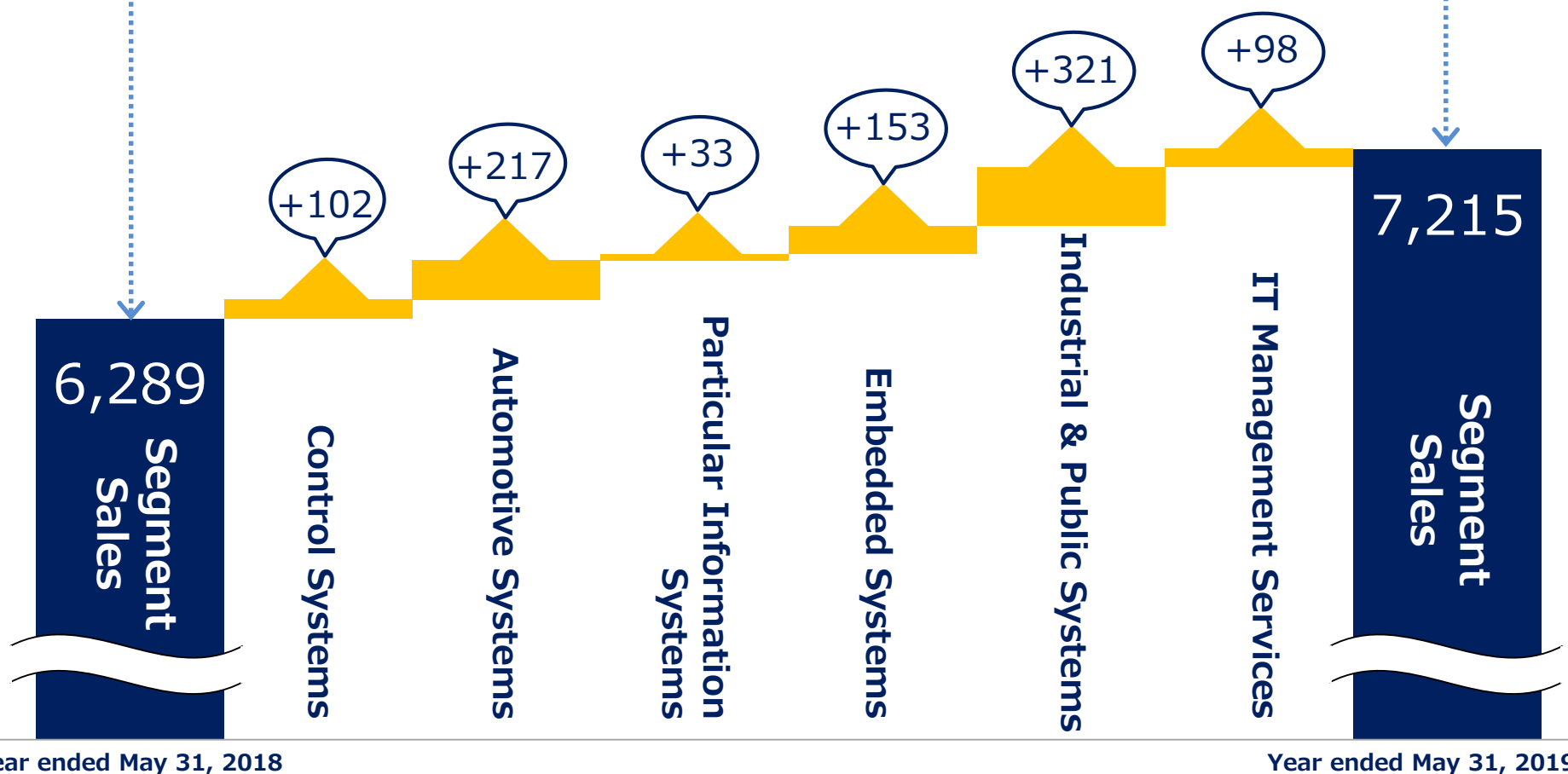




# Change in Sales by Business Segment for Year Ended May 31, 2019

Unit: Millions of yen

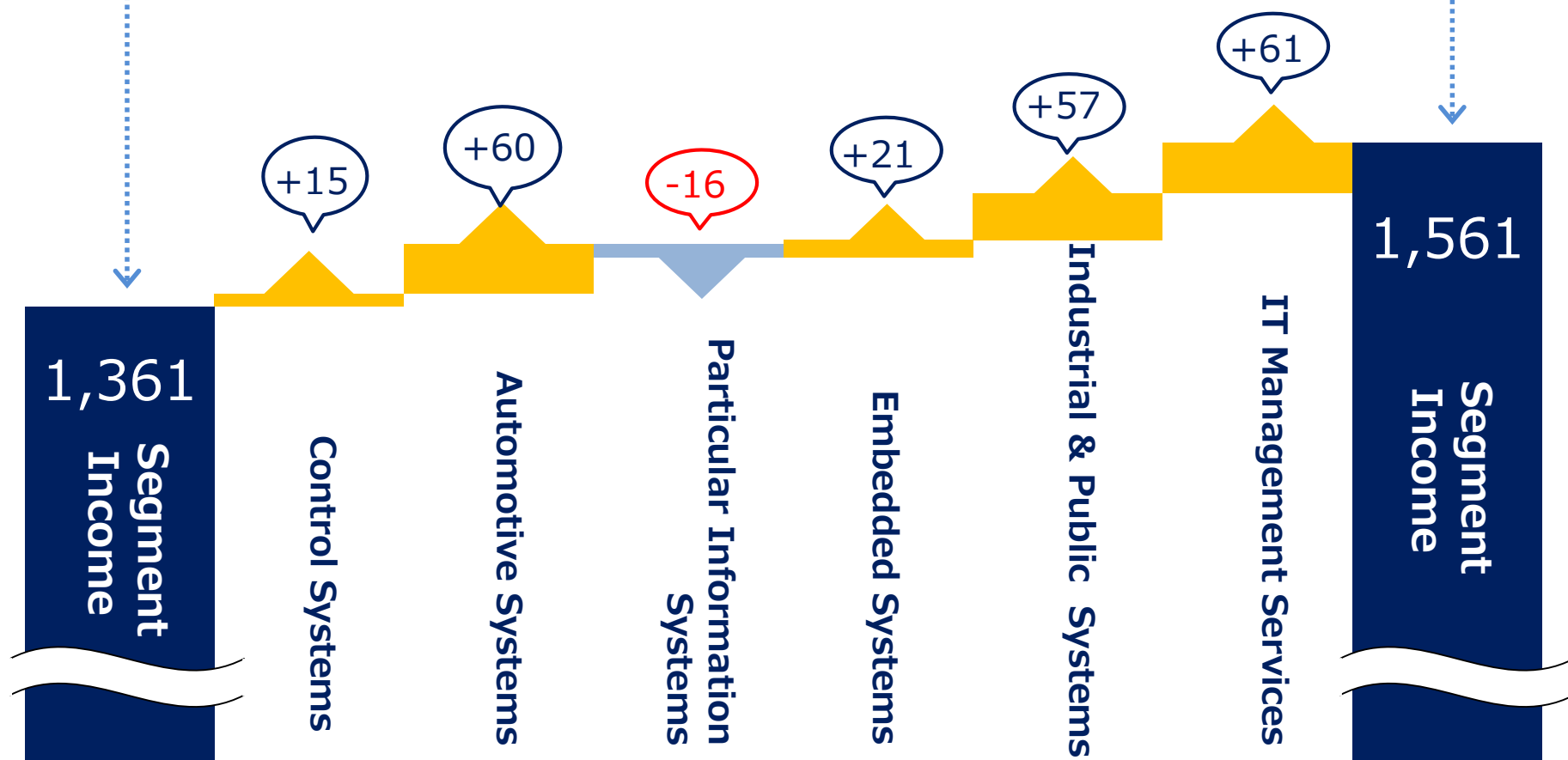
**Increase of ¥926 million (+14.7% YoY)**



# Change in Income by Business Segment for Year Ended May 31, 2019

Unit: Millions of yen

**Increase of ¥200 million (+14.7% YoY)**



Year ended May 31, 2018

\* Segment income does not include corporate expenses that have not been allocated to the segments.

Year ended May 31, 2019

# Segment Information for Year Ended May 31, 2019 (1)

## Control Systems

- As for energy related operations, business related to power plant monitoring and deregulation of power distribution was firm.
- For transportation related operations, the local line, bullet train, and ATOS businesses were solid.
- For overall control system operations, efforts were made to use IPD Dalian, and both sales and income rose.

Unit: Millions of yen

Business Segment		Year ended May 31, 2018 (Income ratio)	Year ended May 31, 2019 (Income ratio)	Change (Percent change)
Control Systems	Net sales	1,188	1,290	+102 (+8.6%)
	Income	272 (22.9%)	287 (22.3%)	+15 (+5.8%)

\* Segment income does not include corporate expenses that have not been allocated to the segments.

# Segment Information for the Year Ended May 31, 2019 (2)

## Automotive Systems

- The self-driving/ADAS field grew dramatically, and the segment is growing into a main business.
- In existing fields, efforts continued to be made use IPD Dalian for offshore development.
- Vehicle electrification related projects, such as those to introduce EV, grew in size.

\* ADAS (*advanced driver assistant system*)

Unit: Millions of yen

Business Segment		Year ended May 31, 2018 (Income ratio)	Year ended May 31, 2019 (Income ratio)	Change (Percent change)
Automotive Systems	Net sales	1,650	1,867	+217 (+13.2%)
	Income	359 (21.8%)	420 (22.5%)	+60 (+16.9%)

\* Segment income does not include corporate expenses that have not been allocated to the segments.

# Segment Information for the Year Ended May 31, 2019 (3)

## Particular Information Systems

- A large contracted project in risk management underwent a delivery inspection, but income fell because of a deterioration in work efficiency.
- There was more contracted development because of application framework proposals.
- The system for self driving-related on-board image recognition was expanded.

Unit: Millions of yen

Business Segment		Year ended May 31, 2018 (Income ratio)	Year ended May 31, 2019 (Income ratio)	Change (Percent change)
Particular Information Systems	Net Sales	561	594	+33 (+5.9%)
	Income	124 (22.1%)	107 (18.1%)	-16 (-13.4%)

\* Segment income does not include corporate expenses that have not been allocated to the segments.

# Segment Information for the Year Ended May 31, 2019 (4)

## Embedded Systems

- The lineup of storage devices for corporations and new storage devices was expanded.
- The scope of responsibility for development of drug packing machines was broadened.
- Contracted development of self-driving related systems and IoT construction equipment grew.

Unit: Millions of yen

Business Segment		Year ended May 31, 2018 (Income ratio)	Year ended May 31, 2019 (Income ratio)	Change (Percent change)
Embedded Systems	Net Sales	798	951	+153 (+19.2%)
	Income	195 (24.5%)	217 (22.9%)	+21 (+11.0%)

\* Segment income does not include corporate expenses that have not been allocated to the segments.

# Segment Information for the Year Ended May 31, 2019 (5)

## Industrial & Public Information Systems

- There was strong performance in engineering services for the development of station service equipment and for railroad subsidiaries.
- In the aerospace field, the Company participated in core projects and expand related system.
- Projects related to IoT/security, robotics, and AI grew in size.

Unit: Millions of yen

Business Segment		Year ended May 31, 2018 (Income ratio)	Year ended May 31, 2019 (Income ratio)	Change (Percent change)
Industrial & Public Information Systems	Net Sales	1,284	1,606	+321 (+25.1%)
	Income	308 (24.0%)	366 (22.8%)	+57 (+18.6%)

\* Segment income does not include corporate expenses that have not been allocated to the segments.

# Segment Information for the Year Ended May 31, 2019 (6)

## IT Management Services

- Income ratio improved due to strategic selection and concentration.
- There was an increase in public cloud-related projects, a future core field.
- There was firm performance of the business related to engineering services of railway subsidiaries.

Unit: Millions of yen

Business Segment		Year ended May 31, 2018 (Income ratio)	Year ended May 31, 2019 (Income ratio)	Change (Percent change)
IT Management Services	Net Sales	807	905	+98 (+12.2%)
	Income	100 (12.5%)	162 (17.9%)	+61 (+60.6%)

\* Segment income does not include corporate expenses that have not been allocated to the segments.

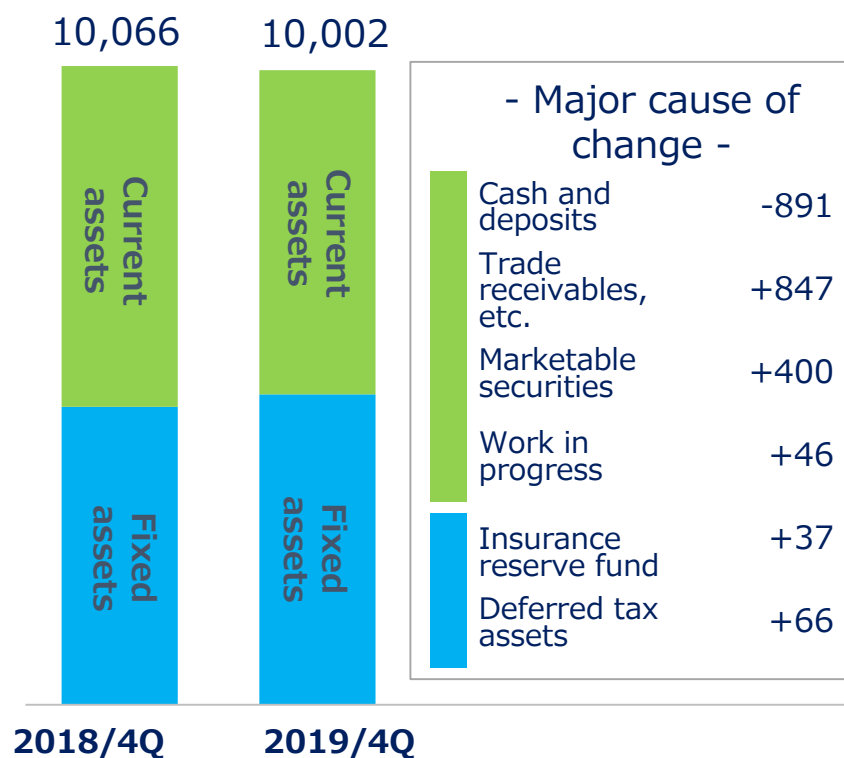


# Consolidated Financial Position

Unit: Millions of yen

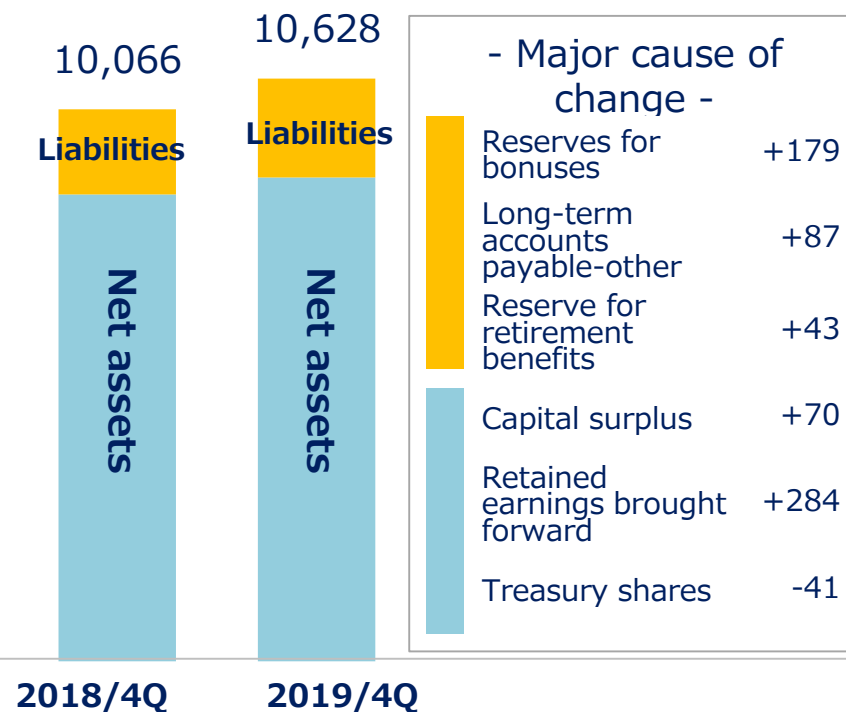
## Assets

Assets: +¥562 million



## Liabilities and net assets

Liabilities: +¥254 million  
Net assets: +¥307 million



# Financial Indicators (Other)

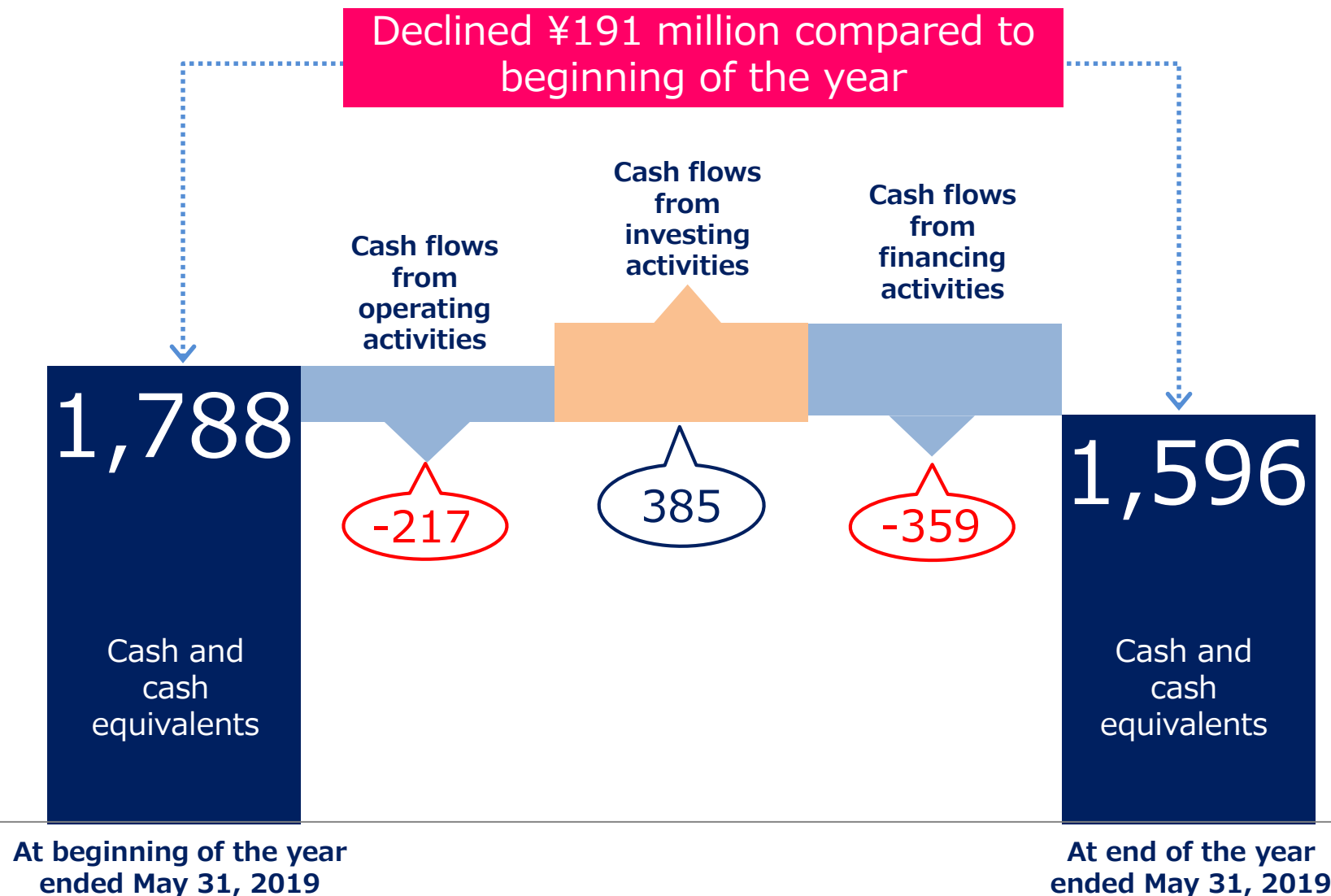
	Year ended May 31, 2018	Year ended May 31, 2019
Net assets	¥8,514 million	¥8,822 million
Net Assets per Share	¥866.5	¥896.6
Net Income per Share	¥31.9	¥51.1
Capital-to-assets Ratio	84.6%	83.0%
Treasury Shares	818,103 shares	805,287 shares
No. of employees	545	560

\* Common stock was split 2-for-1 effective December 1, 2017.

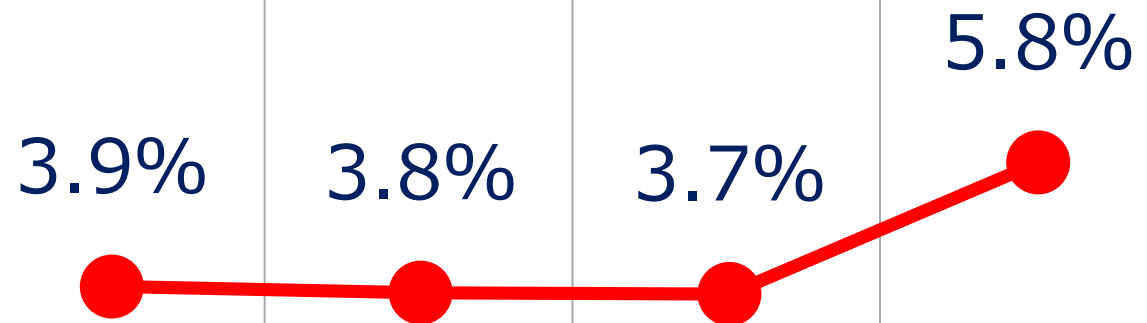
Figures were calculated assuming that a stock split take place at the beginning of the year ended May 31, 2018.

# Consolidated Cash Flows for Year Ended May 31, 2019

Unit: Millions of yen



# Return on Equity (ROE)



	Year ended May 31, 2016	Year ended May 31, 2017	Year ended May 31, 2018	Year ended May 31, 2019
Net income per share (¥)	31.0	31.1	31.9	51.1
Net assets per share (¥)	813.8	844.0	866.5	896.6
Treasury shares	1,645,268	1,645,348	818,103	805,287

\* Common stock was split 2-for-1 effective December 1, 2017.

Figures were calculated assuming that a stock split take place at the beginning of the year ended May 31, 2016.

1. Consolidated Financial Results for the Year Ended May 31, 2019

2. Initiatives Related to the 5th Medium-Term Business Plan

3. Numerical Targets for the Year Ending May 31, 2020

# Basic Policy of the 5th Medium-Term Business Plan

## Vision Embodied in the 5th Medium-Term Business Plan

Utilize software to contribute to safety, security, comfort and convenience in the social infrastructure field.



## Basic Policy of the 5th Medium-Term Business Plan

1. Turn acquired business into main business areas and develop new fields
  - (1) Make self-driving/ADAS\* and IoT into main business areas
  - (2) Develop additional focus fields with AI, networks, security, cloud, etc.
2. Invest in continued growth
3. Maintain efforts on T-SES

\* ADAS (*advanced driver assistant system*)

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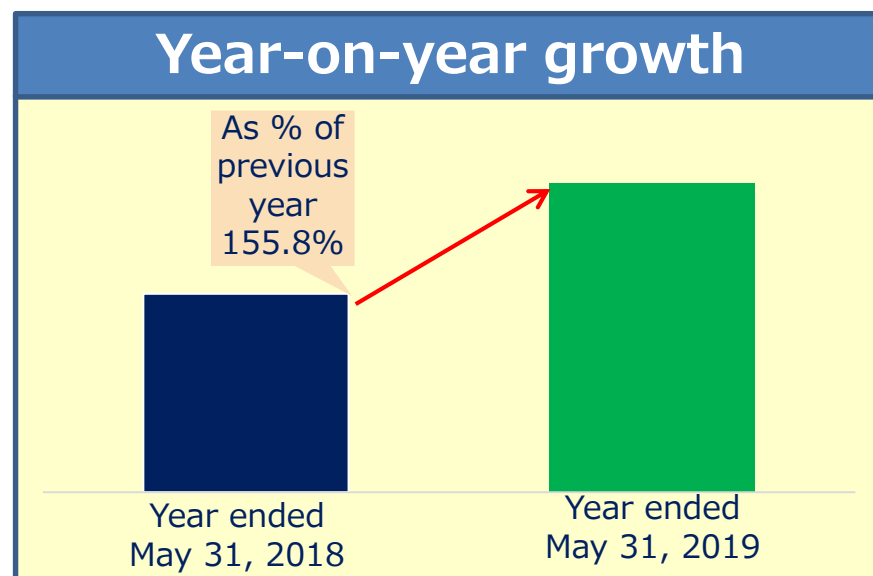
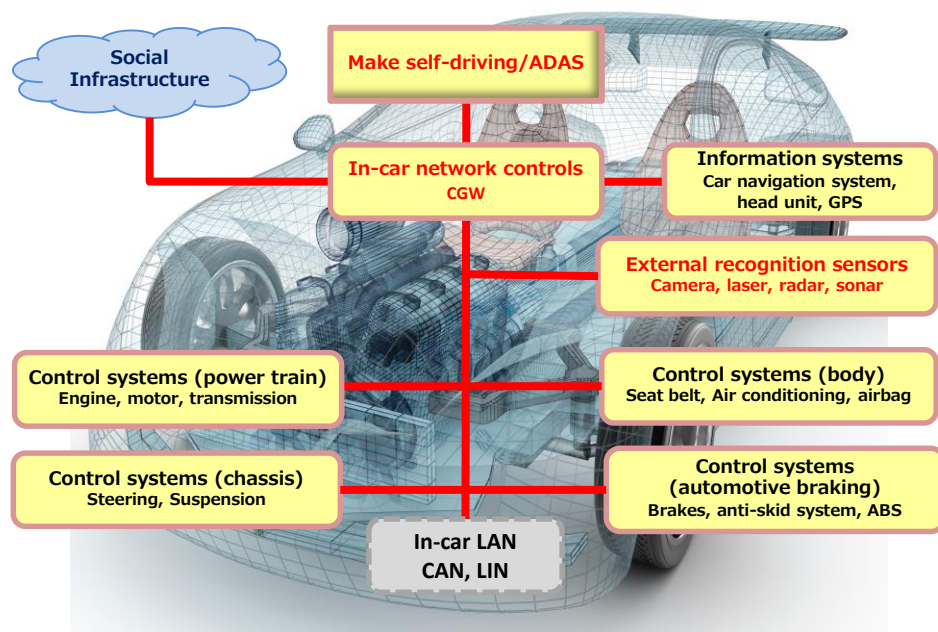
\* ADAS (*advanced driver assistant system*)

# Basic Policy (1) Turn acquired business into main business areas and develop new fields (1)

1

Self-driving/ADAS

**Self-driving/ADAS field has dramatically expanded and become a main business field.**



**Work to generate growth in order to further advance self-driving technology.**



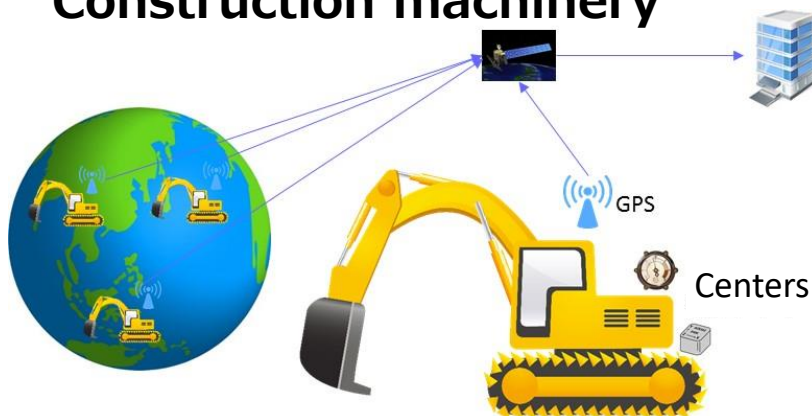
# Basic Policy (1) Turn acquired business into main business areas and develop new fields (2)

2

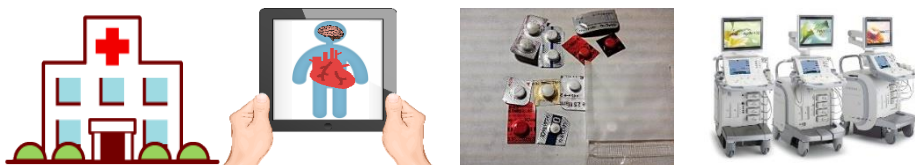
IoT/Network

**Expanding by melding control system and embedded system technologies**

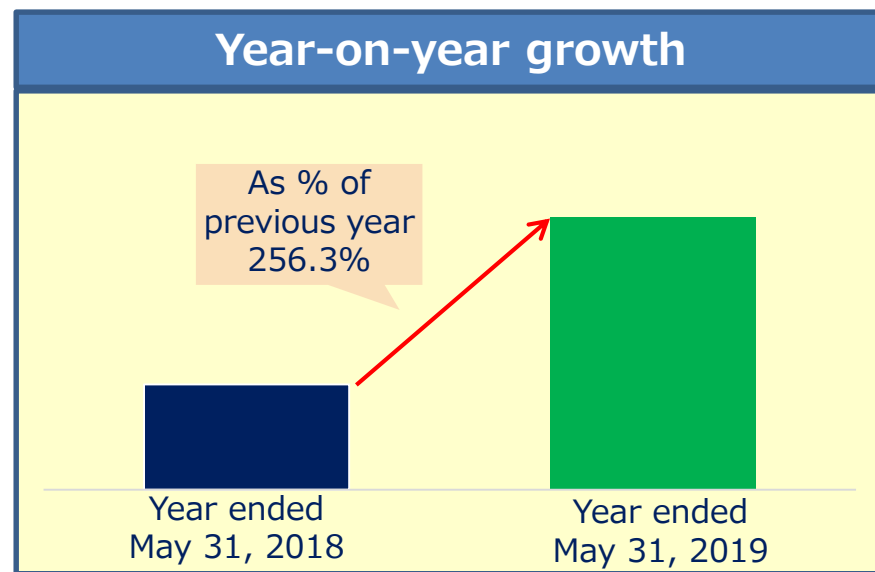
**Construction machinery**



**Medical devices**



**Year-on-year growth**



**Work to capture new technology and transform into core businesses**

# Basic Policy (1) Turn acquired business into main business areas and develop new fields (3)

## 3 Additional core fields

### Develop additional core fields

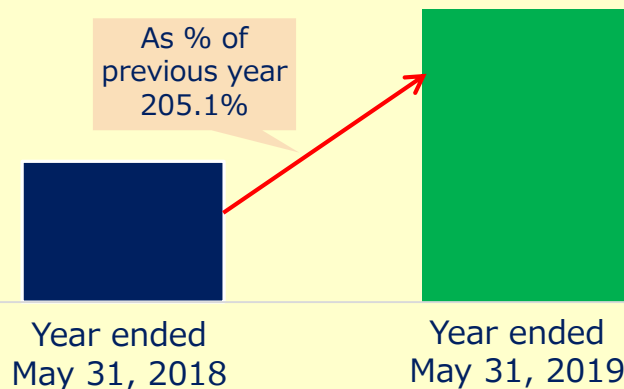


AI

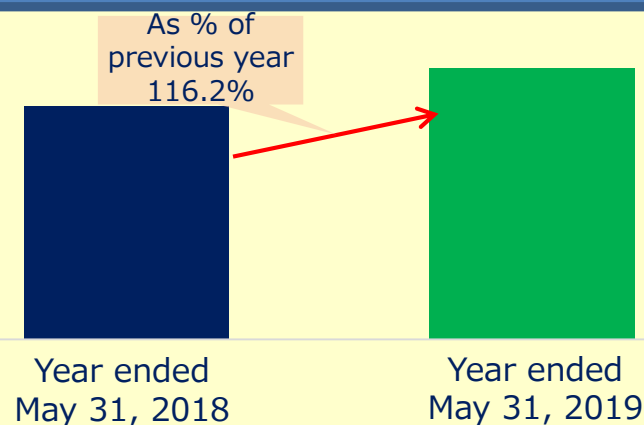


Cloud/  
Network

#### Year-on-year growth



#### Year-on-year growth



Work to expand existing projects, win new projects, etc.

# Basic Policy of the 5th Medium-Term Business Plan

## Vision Embodied in the 5th Medium-Term Business Plan

Utilize software to contribute to safety, security, comfort and convenience in the social infrastructure field.



## Basic Policy of the 5th Medium-Term Business Plan

1. Turn acquired business into main business areas and develop new fields
  - (1) Make self-driving/ADAS\* and IoT into main business areas
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- 2. Invest in continued growth**
3. Maintain efforts on T-SES

## Invest in continued growth (1)

- (1) Invest in good workplace environment
  - Offices, facilities, etc.
- (2) Invest in production facilities
  - Development and verification tools, H/W, etc.
- (3) Invest in human resources
  - Hiring, training, advanced skills, etc.
- (4) Utilize and revise systems to be more employee-friendly
  - Employee benefits, various rules, etc.



Investment



Improve employee peace of mind, health, enjoyment, growth, sense of purpose, etc.

Continued growth



Results

Retain employees and increase employee activity and productivity



Results

**Create a psychological and physical foundation for continued growth**

### Initiatives for the Year Ending May 31, 2020

#### (1) Good workplace environment

- ☞ Move and expand Yokohama office
  - Expand the automobile field through partnerships between the automotive systems, embedded systems, and particular information systems businesses and optimize location.
- ☞ Update facilities to create a more comfortable work environment at Hitachi office
- ☞ Expand the Katsuta office in the same way
- ☞ Move the head office

#### (2) Invest in production facilities

- ☞ Examine possibilities in each division and actively make investments

#### (3) Invest in human resources

Training is the key to further growth, thoroughly plan, and steadily implement

## Initiatives for the Year Ending May 31, 2020

### (4) Work-style reforms

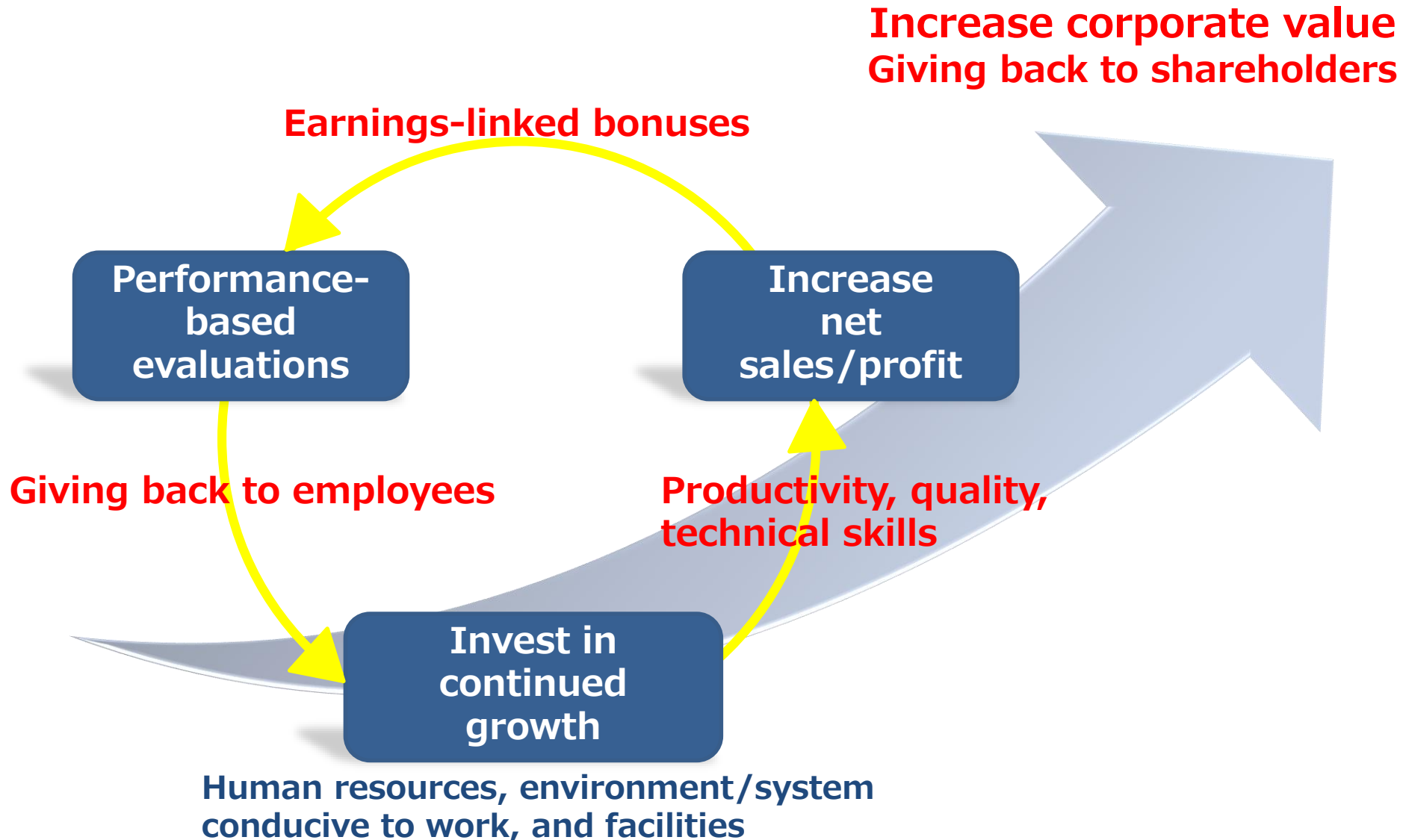
- 👉 Eliminate discretionary work system
- 👉 Promote use of mobile clocking in
- 👉 Reduce overtime and decrease overwork
- 👉 Proactively strive to introduce work interval system  
(requirement to try to introduce the system)

### (5) Expand office space by making greater use of offshore development by IPD Dalian

(consolidated subsidiary)

- 👉 Continue to strengthen hiring  
(19 recruits joined in July creating a system of 100)

# Vision for the company

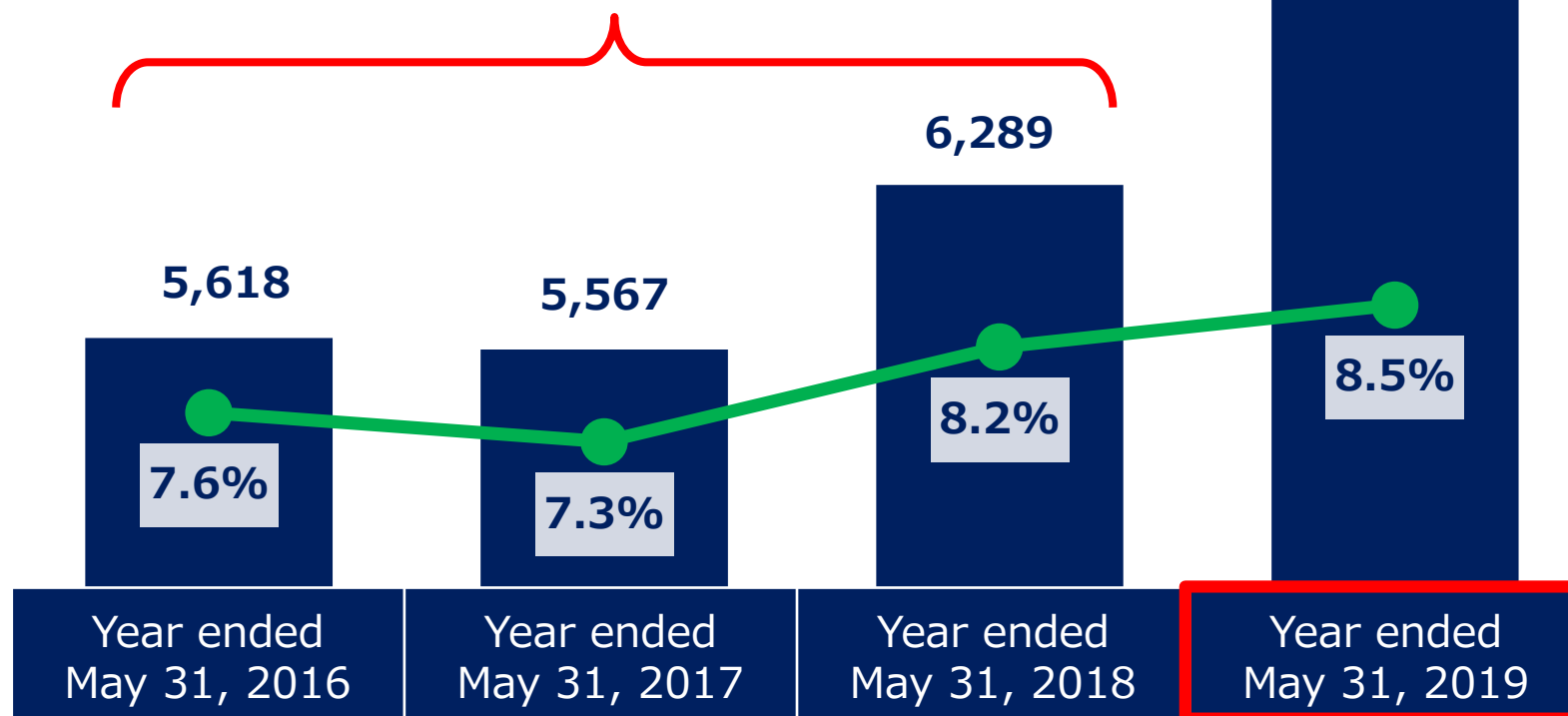


# Invest in continued growth and earnings

■ Net Sales Actual  
● Operating Income Ratio Actual

Unit: Millions of yen

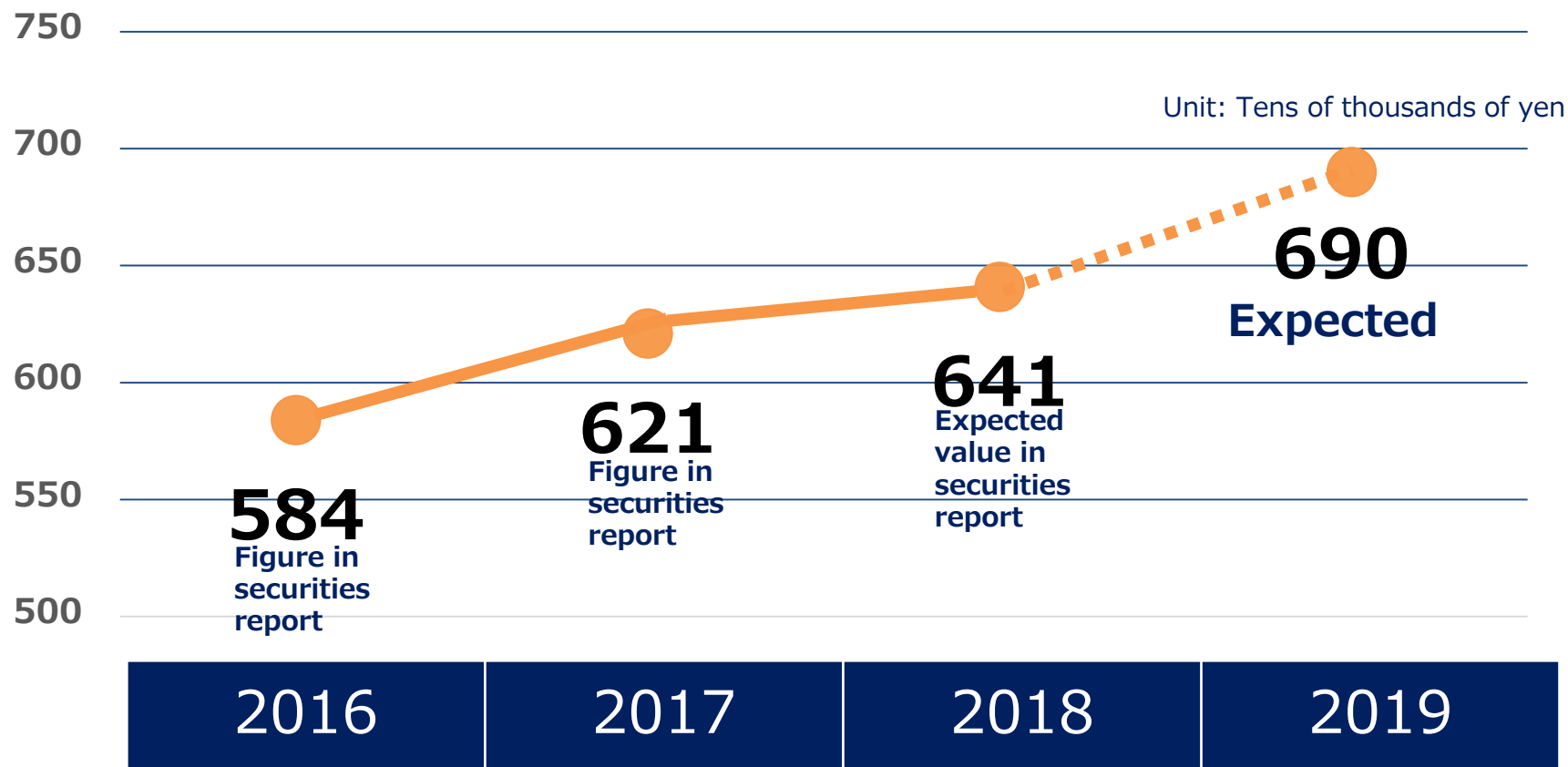
**Focus on investing in human resources and  
strengthen growth foundation**





# Giving back to employees through performance-based system

## Average annual salary (Giving back to employees )



# Efforts toward SDGs (1)

## SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



As a company specialized in systems development in the field of social infrastructure, we will continue making efforts toward the sustainable development goals (SDGs) adopted by the UN in 2015.

# Efforts toward SDGs (2)

## Vision Embodied in the 5th Medium-Term Business Plan

Utilize software to contribute to safety, security, comfort and convenience in the social infrastructure field.



[Contributions in specialized business areas]

Low-carbon high-efficiency power generation, HEVs, EVs, self-driving cars, railroads, aerospace, IoT, AI, disaster prevention, defense, energy management



[Support for specialized groups, etc.]

Donate roughly 1% of after-tax profits

SBI Children's Hope Foundation  
Japan Center for Conflict Prevention

1. Consolidated Financial Results for the Year Ended May 31, 2019

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3. Numerical Targets for the Year Ending May 31, 2020

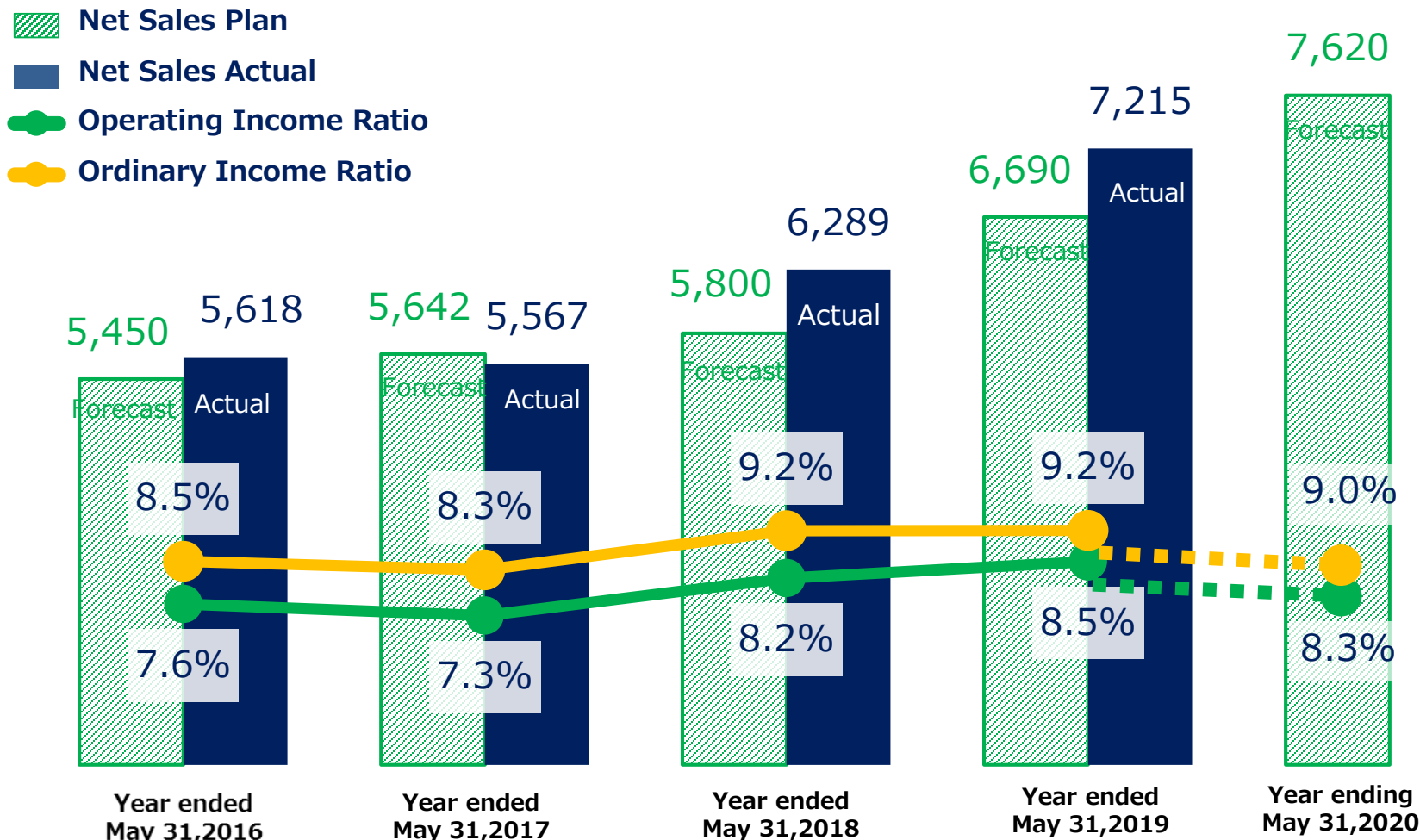
# Consolidated Numerical Targets for the Year Ending May 31, 2020

Unit: Millions of yen

	Year ended May 31, 2019 Actual	Year ending May 31, 2020 Forecast	Change (Percent change)
Net Sales	7,215	7,620	+404 +5.6%
Operating Income (income ratio)	615 (8.5%)	635 (8.3%)	+19 +3.2%
Ordinary Income (income ratio)	665 (9.2%)	685 (9.0%)	+19 +3.0%
Current Net Income (income ratio)	501 (6.9%)	470 (6.2%)	-31 -6.2%

# Consolidated Figures

Unit: Millions of yen



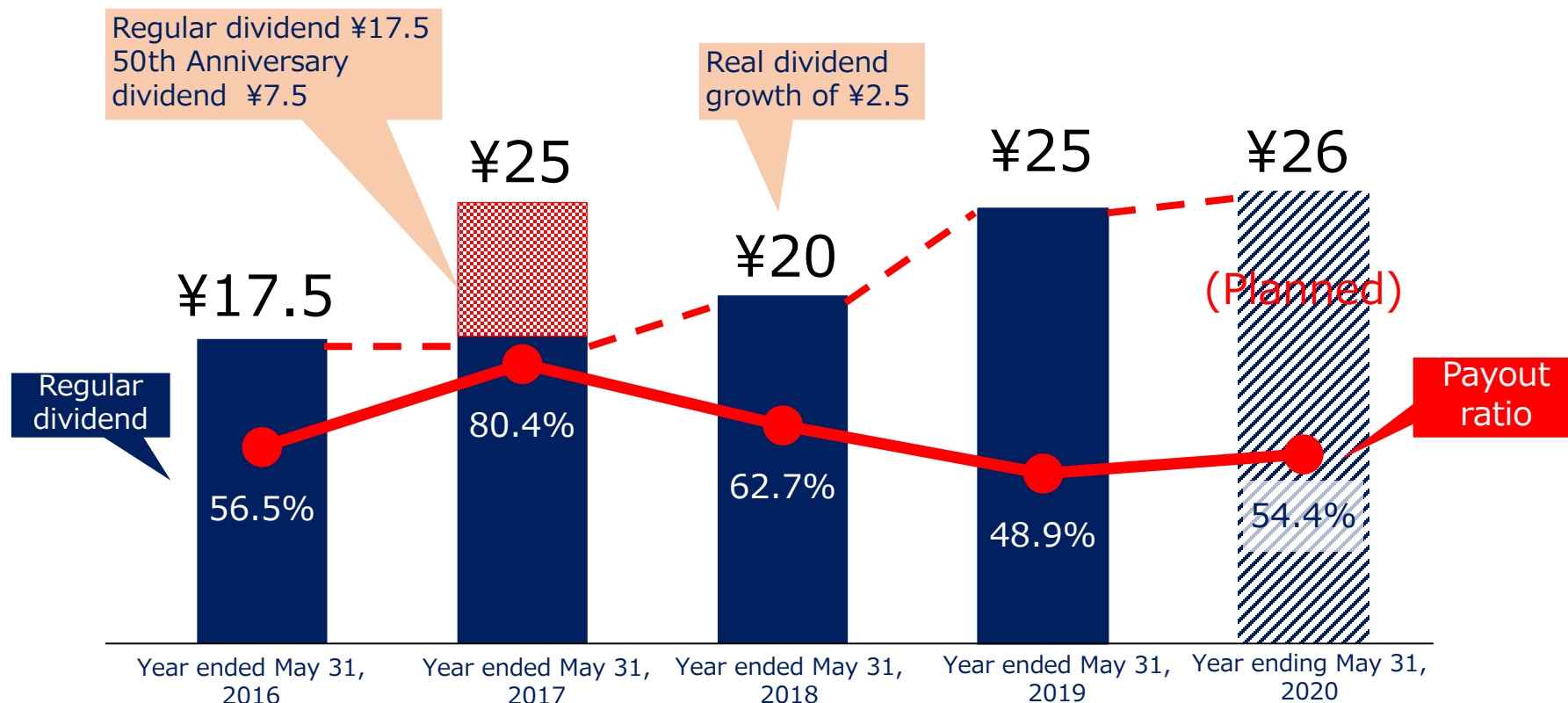
4th Medium-Term Business Plan

5th Medium-Term Business Plan

# Shareholder Dividends

## Dividend Policy

(1) Continue to pay stable dividend (2) Strive to achieve a payout ratio of 50% or higher



\* Common stock was split 2-for-1 effective December 1, 2017.  
Annual dividend amount was calculated on the assumption of a stock split at the beginning of the year ended May 31, 2016.

Utilize software to contribute to safety, security, comfort and convenience in the social infrastructure field.

## Disclaimer

This material contains “forward-looking statements” based on current forecasts and assumptions. Japan Process Development Co., Ltd. does not guarantee the results as forecast as they are subject to risks and uncertainties that could cause actual results and earnings to differ from these statements.

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